

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

DEPARTMENT OF TRANSPORTATION

DELAWARE TRANSIT CORPORATION

**KENT COUNTY SENIOR CITIZEN
TRANSPORTATION FUNDING**

SPECIAL INVESTIGATION

FIELDWORK END DATE: NOVEMBER 2, 2009

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**State of Delaware
Office of Auditor of Accounts
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At a Glance**

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

A complaint alleged that some Kent County senior centers submitted requests for transportation funding that exceeded the actual costs incurred. As a result, these senior centers received a greater share of transit expense reimbursement funds than they should because these funds are distributed on a proportional basis. Therefore, the remaining senior centers would receive less reimbursement funds than they should.

Background

Through epilogue language in the FY09 Budget Bill, the legislature requires Delaware Transit Corporation (DTC), to provide funding for elderly and handicapped citizens in Kent and Sussex Counties. Providers of elderly and handicapped citizen may apply for transportation aid (i.e., transportation expense reimbursement) through DTC and must provide DTC with relevant operating and expense statistics. Most of these senior citizen transportation providers are senior centers. The focus of our audit is the Kent County senior center transportation providers.

For further information on this release, please contact:

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KENT COUNTY SENIOR CITIZEN TRANSPORTATION FUNDING

What We Found

Kent County Levy Court allocates senior center transportation funding based on the weighted average of prior year senior center transportation expenditures. Delaware Transit Corporation (DTC) provides Kent County Levy Court with annual summaries of senior center transportation expenditures. However, the Kent County Levy Court does not receive detailed expenditure information. Conversely, DTC has a process for obtaining detailed monthly senior center transportation expenditure reports from the providers but does not perform a reasonableness analysis of the expenditures nor does it exercise adequate due diligence concerning accuracy of the reported expenditures. As a result, it is possible for a transportation provider to overstate expenditures without detection by either DTC or the Kent County Levy Court.

What We Recommend

DTC should exercise greater due diligence in reviewing senior citizen transportation provider expenditures. In addition, DTC should consider providing detailed transportation expenditure information to the Kent County Levy Court to provide the Court with a tool for ensuring that its weighted average allocation model is as accurate as possible.

Please read the complete report for a full list of findings/recommendations and to review the Delaware Transit Corporation response to our findings.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATION AND BACKGROUND

ALLEGATION

Some Kent County senior centers submitted requests for transportation funding that exceeded the actually costs incurred. As a result, these senior centers received a greater share of transit expense reimbursement funds than they should because these funds are distributed on a proportional basis. Therefore, other senior centers are receiving less reimbursement funds than they should.

BACKGROUND

Through epilogue language in the FY09 Budget Bill, the legislature requires Delaware Transit Corporation (DTC), to provide funding for elderly and handicapped citizens in Kent and Sussex Counties. Providers of elderly and handicapped citizen may apply for transportation aid (i.e., transportation expense reimbursement) through DTC and must provide DTC with relevant operating and expense statistics. Most of these senior citizen transportation providers are senior centers. The focus of our audit is the Kent County senior center transportation providers.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The scope of our audit is the FY09 Kent County Transportation funding. Our objective is to determine whether DTC adequately fulfilled its statutory obligations by providing a reasonable level of due diligence by:

- Reviewing and approving funding (i.e., reimbursement) requests, and
- Ensuring that funding was reasonably distributed to senior citizen transportation providers.

SCOPE

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

The investigative approach included:

- Interview and inquiry.
- Inspection and confirmation of documentation.
- Recalculation of the FY09 funding allocation.
- Observation.

CONCLUSIONS

Allegation

Some Kent County senior centers submitted requests for transportation funding that exceeded the actually costs incurred. As a result, these senior centers received a greater share of transit expense reimbursement funds than they should because these funds are distributed on a proportional basis. Therefore, other senior centers are receiving less reimbursement funds than they should.

Results of Testing

Kent County Levy Court allocates senior center transportation funding based on the weighted average of prior year senior center transportation expenditures. DTC provides Kent County Levy Court with annual summaries of senior center transportation expenditures. However, the Kent County Levy Court does not receive detailed expenditure information. Conversely, DTC has a process for obtaining detailed monthly senior center transportation expenditure reports from the providers but does not perform a reasonableness analysis of the expenditures nor does it exercise any due diligence concerning accuracy of the reported expenditures. As a result, it is possible for a transportation provider to overstate expenditures without detection by either DTC or the Kent County Levy Court.

The Office of Auditor of Accounts did not note any instances of incorrectly reported expenditures. A more detailed audit focusing on individual Kent County senior centers, which is outside of the scope of this investigation, would be required to determine whether expenditures reported by senior centers are reasonably accurate.

Conclusion

Partially Substantiated.

FINDINGS AND RECOMMENDATIONS

Finding #1 – Monthly Expenditure Review

Criteria

DTC is required to provide transit funding for senior and disabled citizens in Kent and Sussex Counties. Section 289, of the FY09 Budget Bill Epilogue language states, "It is intended that management and direction of the service will reside with the Delaware Transit Corporation which may contract for services as they see fit, and that Kent County and Sussex County governments will review and approve allocation of the service levels within each county."

Condition

The allocation of Kent County senior citizen transportation funding is performed by Kent County Levy Court. Kent County Levy Court receives summary documentation from DTC of prior year expenditures but does not see the detailed expenditures. DTC receives the detailed expenditure reports monthly from the senior citizen transportation providers but does not perform analysis or audit the financial information that is provided by the senior center transit providers.

Effects

Kent County may make allocation decisions based on inaccurate information. Additionally, it is possible for a transportation provider to overstate expenditures without detection by either DTC or the Kent County Levy Court.

Causes

DTC management was not aware of the need for enhanced review of expenditures. Furthermore, Kent County Levy Court does not possess the detailed expenditure information needed to ensure that accurate data is used to allocate funds to senior citizen transportation providers.

Recommendations

- DTC should exercise greater due diligence in reviewing senior citizen transportation provider expenditures. DTC may achieve this goal by performing enhanced analytical reviews of expenditures, requesting documentation to support expenditure, or performing periodic audit of expenditures.
- DTC should consider providing detailed transportation expenditure information to the Kent County Levy Court to provide the Court with a tool for ensuring that its weighted average allocation model is as accurate as possible.

Auditee Response

The Kent County Reimbursable Program provides funds to Kent County for the continuation of transportation service for the elderly and disabled. The management and direction of the service will reside with the Delaware Transportation Corporation (DTC) and the approval of service levels and allocation of funds resides with Kent County Levy Court. The program requires specific responsibilities for three parties, Kent County Levy Court, DTC, and the Recipient Agency's. The Kent County Levy Court is responsible for determining the level of funding to each qualified agency. In order to assist the Kent County Levy Court in making this funding determination DTC provides annual expense summaries of participating agencies. In the past the Kent County Levy Court has not requested and consequently not received the detailed expense reports on each agency. The DTC is responsible for placing the recipient

FINDINGS AND RECOMMENDATIONS

agencies under contract, distribute authorized funding, and ensure each agency is in compliance with the transportation contract. The recipient agency's responsibility is to comply with the provisions of the transportation contract.

With regard to the question of DTC performing a reasonableness analysis of expenses of each of the recipient agencies, this has not been done in the past because each agency is unique to itself and standards become extremely difficult to develop. Basically each agency is different in staff size, service size, number of vehicles, trip patterns, and length. However measuring an agency's output of ridership and service hours and miles can be used to measure agency productivity and used by Kent County Levy Court to develop a method for the allocation of funds.

DTC recognizes that both the Corporation and Kent County Levy Court should provide more diligence in reviewing the required expense documentation received from the agencies. In support of this new initiative DTC will send copies of the fiscal year 2010 agency monthly expense reports to the Kent County Administrator and Kent County Levy Court for their perusal and comment. This will improve oversight of the program and provide Kent County Levy Court with all the information needed to make an equitable allocation of funds.

Beginning in June 2009, the DTC internal auditing staff began site visits to ensure that Kent County Transportation Funds are being spent in accordance with the approved budget and ensure each agency is within the terms and conditions of their annual contract. Any discrepancies with the budget or the contract will require agencies to make immediate adjustments or corrections to be in compliance or there will be a suspension of funding until the agency is in compliance. A compliance report will be issued to the Kent County Administrator after each annual review.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

The Honorable Jack Markell, Governor, State of Delaware

The Honorable Russell T. Larson, Controller General, Office of the Controller General

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Officials of Audited Entities

The Honorable Carolann Wicks, Secretary, Department of Transportation

Mr. Michael Petit de Mange, County Administrator, Kent County Levy Court

Mr. Stephen B. Kingsberry, Executive Director, Delaware Transit Corporation